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SUBJECT: SOUTHERN TAJIKISTAN: ECONOMIC ASSISTANCE HELPS DUST OFF ANCIENT KULOB

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11. (U) INTRODUCTION: Kulob recently celebrated the 2,700-year anniversary of its founding. Unfortunately, the nearly three millennia have not been kind to the city. Three hours southeast of Dushanbe, Kulob (known as Kulyab in Russian) is a town of 30,000-50,000 people. All across Tajikistan, banners congratulate Kulob on its anniversary. On September 10, the President hosted foreign dignitaries, including the American Ambassador, at a ceremony commemorating the city's founding. To prepare for the occasion, President Rahmonov ordered workers from across Tajikistan to converge and clean up Kulob. The city paved its streets, built new buildings, planted flowers and painted sidewalks. Despite spending up to \$25 million on superficial improvements, the government did not invest in education, environment or the city's stagnant economy. Meanwhile, U.S. assistance programs provide vital tools for local development. END INTRODUCTION.

12. (U) On the surface, downtown Kulob looks shiny and revitalized. For the jubilee celebration, the northern city of Isfara donated a beautiful tea-house. The city installed new gates on the Kulob railway station, where trains carry at least 1,500 people twice a week from Kulob to Moscow. However, the city literally swept its garbage to the side: near the stadium where Rahmonov spent much of September 10 watching dances and shows sits a huge open garbage dump.

13. (U) In this environment, U.S. assistance programs provide actual opportunities for educational and economic growth. At 4,300-student Kulob State University, a U.S.-funded American Corner sits next to a U.S.-funded Internet site. Students crowded into the American Corner for a discussion with EmbOffs about national politics, U.S. foreign policy, and studying in the United States on October 3. Many of the students spoke only Tajik - no Russian - and withheld their true opinions due to the university official present. Additionally, USAID supports basic education initiatives, including training in teaching methods that stress critical thinking and active learning; capacity building for administrators; and education finance reform.

14. (U) The local economy relies on small-scale food processing and agriculture to supplement funds from migrant workers. With no major industry, international donors including the U.S. Department of Agriculture and USAID (through Counterpart

International), Oxfam, United Nations Development Program, and the World Food Program provide basic economic, humanitarian, and sanitary services to the population. Counterpart International covers three poor districts in Khatlon Oblast - Muminobod, Hovaling and Baldjuvon, the motherland of President Rahmonov. The assistance program provides farmers with different varieties of seeds, fertilizers, and also diesel and supplies. Local farmers in these districts mainly grow wheat, fruits and vegetables for their own consumption. The land lacks irrigation systems, and farmers are heavily dependent on rain or transported containers of water.

¶15. (U) Counterpart International focuses on micro-development projects. A small canning factory produces 50,000 units of fruits and vegetables each year and exports its products to Dushanbe. The factory is located across a creek which only jeeps and heavy trucks can cross. In Muminobod, a farmer created a 50-meter artificial pond to develop a fishery, a clever idea in a land where some of the few natural resources are rivers. Counterpart provided the seed fish and now the farmers sell their unique products on the local market. A farming cooperative built a warehouse with Counterpart funding to store 100 tons of fruits and vegetables.

¶16. (U) The local entrepreneurs' association representative Faizullo expressed a lack of enthusiasm about economic prospects to EmbOffs. With interest rates of 24-30% at Tajik banks, small businesses cannot access credit. The construction boom leading up to the jubilee celebrations abruptly ended, putting his construction company on indefinite vacation. Despite Kulob's proximity to Afghanistan, he had not thought about local companies exporting products there. EmbOffs suggested that the nearby Vose District could export iodized salt to Afghanistan. Faizullo believes that further investment in food processing businesses will best develop the local economy.

¶17. (U) COMMENT: Forty kilometers from the Afghan border, Kulob is vulnerable to narcotics trafficking. International

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assistance helps provide alternative livelihoods for potential targets, but there seems little prospect of sustained economic growth. Despite a once-in-a-lifetime influx of investment to Kulob, the infrastructure remains distinctly Soviet. END COMMENT.

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